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DE RUEHAM #3267/01 3431229
ZNR UUUUU ZZH
R 081229Z DEC 08
FM AMEMBASSY AMMAN
TO RUEHC/SECSTATE WASHDC 3950
INFO RUEHLB/AMEMBASSY BEIRUT 2950
RUEHEG/AMEMBASSY CAIRO 3847
RUEHDM/AMEMBASSY DAMASCUS 4022
RUEHRH/AMEMBASSY RIYADH 2059
RUEHTV/AMEMBASSY TEL AVIV 1429
RUEHJI/AMCONSUL JEDDAH 0847
RUEHJM/AMCONSUL JERUSALEM 5254
RUCPDO/DEPT OF COMMERCE WASHDC

UNCLAS AMMAN 003267

SENSITIVE
SIPDIS

STATE FOR EEB/TPP/ABT, NEA/ELA, NEA/RA, DRL, G/TIP
STATE PASS TO USTR (SFRANCESKI, LKARESH)
COMMERCE FOR ITA/OTEXA MARIA D'ANDREA

E.O. 12958: N/A

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SUBJECT: Jordan Garment Factories Face Declining Sales and
Negotiate for Government Assistance

REF: A) AMMAN 3171; B) AMMAN 3173

SENSITIVE BUT UNCLASSIFIED.

11. (SBU) Summary: Jordanian apparel exports fell 13.5% in the first nine months of 2008 compared to the same period in 2007 and are expected to continue falling, primarily due to the slowing U.S. economy. Press reports announced the imminent closure of several factories, but government officials varied in their acknowledgement of the extent of the closures. Garment factories are lobbying the government for additional support including a reduction in social security payments. The government has exempted garment factories located within Qualifying Industrial Zones (QIZ) from an increase in the minimum wage scheduled for January 2009. End Summary.

Less U.S. Demand for Garments Means Fewer Jobs

12. (U) According to the Department of Statistics, apparel exports fell 13.5% from \$918 million in the first nine months of 2007 to \$794 million in the first nine months of 2008. Most garment exports are destined for the United States, and total exports to the United States fell a similar 14.8% from \$949 million in 2007 to \$809 million in 2008, during the same period. According to press reports, employment within Qualifying Industrial Zone (QIZ) factories declined 9% between January 2008 and October 2008 from 48,972 to 44,585, including both foreign and Jordanian workers.

13. (SBU) Officials from Jones New York (JNY), a U.S. apparel company, confirmed that JNY has been cutting its orders with Jordanian factories by approximately 50% in response to the slowing U.S. economy. Jones has made similar cuts with all of their supplying countries, and Jordan has not seen deeper cuts than other countries, according to Jones officials. The factories with which they work in Jordan have correspondingly been reducing headcount, through attrition and the non-renewal of contracts rather than layoffs, the officials added. Farhan Afram, the head of Jordan Garments Accessories and Textiles Exporters Association (JGATE) was quoted in the Arabic-language press saying that the recession has affected QIZs and that local factories will continue to face difficult times in the next year.

Press Says Eight Factories Will Close - GOJ Disagrees

14. (SBU) Press reports in early December reported that eight factories operating in QIZs in Karak, Irbid, and Sahab have decided

to stop production and lay off 2,000 Jordanian and 5,000 foreign employees. In press statements, head of the Jordan Industrial Estates Corporation Amer Majali denied that any factories in Karak had closed because of an economic slowdown and that, while one plant was closed because of the owner's death, all of the impacted workers were relocated to other plants or repatriated. Other government officials confirmed to PolOff that only two plants have closed in the last three months; one plant was recently closed because of the owner's death and another plant was closed in September after the manager disappeared, but the workforce was partially merged into a sister company. Atef Al-Majali, the head of the Labor Unit at the National Center for Human Rights (NCHR), told PolOff he spoke with officials at the Ministry of Labor, 21 Labor Inspectors in various QIZs, and several factory owners about the press reports. Besides the two aforementioned cases, Atef Al Majali found neither evidence of other plant closings nor indications of forthcoming ones. Several government officials have indicated that rumors are circulating of future factory closings but they have no specific knowledge or official notice from any factory to that affect.

Long-Term Impact on Workers Remains Unclear

15. (SBU) Governmental, union, and civil society officials have indicated that the impact on workers has been limited but they stand ready to assist if needed. Fathallah Umrani, Head of the Textile Union, said that the three hundred workers affected by the September merger have already been relocated. Future assistance could come from a Humanitarian and Legal Assistance Fund recently created with fees paid by factories to legalize their workers with expired work or residency permits during an March to July 2008 amnesty period (ref A). Lejo Sibbel, USAID-funded Adviser to the Minister of

Labor, said this fund was used to repatriate 38 Bangladeshi workers, who requested to return home, when the factory closed in September. NCHR has also pledged to monitor the situation closely and promised to visit current and future impacted factories to determine the status of their workers and provide possible assistance.

QIZ Factories Want Government Support

16. (SBU) In one press account, a factory-owner is quoted as saying additional factories will close because of the failure of the government to reduce the costs of production. Under negotiation are the costs of job permits and the amount of social security deducted from foreign workers wages. Kamil Fakhoury, previous Vice-Chairman of JGATE, told EmbOff that Jordan's garment sector is a public-private partnership and, in this instance, the government is not keeping up its end of the bargain, which threatens the competitiveness of Jordan in this sector.

17. (SBU) Garment factories within QIZs are being exempted from a minimum wage increase scheduled to take effect on January 1 which will increase the minimum wage to \$212 per month, up from \$156. (ref B). Ministry of Labor Secretary General Dr. Gazi Shbaikat said that the decision was made because of the economic challenges facing the sector in reduced demand and high levels of competition worldwide. He said factory owners were also being asked to pay Jordanian workers an additional \$14 per month to keep them financially on an equal footing with foreign workers who benefit from company-provided food and accommodations. Shbaikat thought the payment was also important to decrease the likelihood that Jordanians would leave garment factories for other minimum wage jobs in other sectors.

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